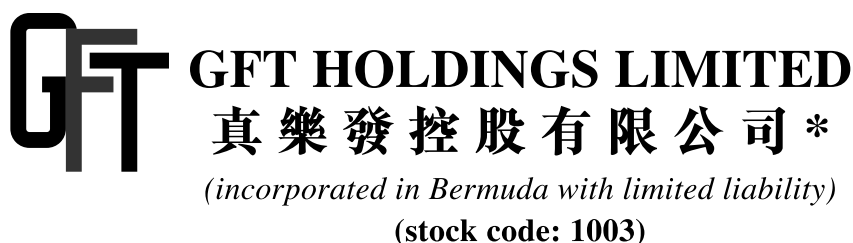

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in GFT Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**MAJOR REALIZATION AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
GFT HOLDING LIMITED**

Financial Adviser to the Company

Hercules

Hercules Capital Limited

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

A notice convening a special general meeting of GFT Holdings Limited to be held at Ming Room I, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong, on Monday, 28 May 2007 at 9:00 a.m. is set out on pages 34 to 35 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's head office and principal place of business in Hong Kong at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the conditional sale and purchase agreement dated 16 April 2007 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Board”	the board of the Directors
“Company”	GFT Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Stock Exchange
“Completion”	completion of the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Company of the Sale Shares and Sale Loan pursuant to the Agreement
“Disposal Group”	GFT Holding and its subsidiaries
“GFT Holding”	GFT Holding Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the date of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lai Wing Leung, Peter, established for the purpose of advising the Independent Shareholders on the terms of the Agreement
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	Shareholders other than Mr. Leung, Mr. Wong, Charm Management Limited and their respective associates

DEFINITIONS

“Latest Practicable Date”	7 May 2007, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Leung”	Mr. Leung Wai Ho, Chairman and an executive director of the Company
“Mr. Wong”	Mr. Wong Chung Shun, Deputy Chairman and an executive director of the Company
“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Innovative Sonic International Limited, a company incorporated in the British Virgin Islands. It is beneficially owned as to 50% by Mr. Leung and 50% by Mr. Wong.
“Sale Loan”	The total amount of loans or advances outstanding and owing from Great Force Technology Limited, one of the subsidiary of GFT Holding, to the Vendor as at the date of Completion
“Sale Shares”	640,000 ordinary shares of US\$1.00 each in the issued share capital of GFT Holding as at the date of the Agreement
“Sallmanns”	Sallmanns (Far East) Limited, an independent professional property valuer
“SFO”	The Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve, among other things, the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.025 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Vendor”	Prosper Overseas Limited, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this circular, amounts denominated in RMB have been translated into Hong Kong dollar at the rate of RMB1.00 to HK\$1.00. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amount was or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



GFT HOLDINGS LIMITED

真樂發控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

Executive Directors:

Leung Wai Ho (*Chairman*)

Wong Chung Shun (*Deputy Chairman*)

Ha Kee Choy Eugene

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Independent Non-executive Directors:

Chui Chi Yun, Robert

Lam Kwok Cheong

Lai Wing Leung, Peter

Head office and principal place

of business in Hong Kong:

Unit A9, 3/F., Block A

Hong Kong Industrial Centre

489-491 Castle Peak Road

Kowloon, Hong Kong

10 May 2007

To the Shareholders

Dear Sirs,

**MAJOR REALIZATION AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
GFT HOLDING LIMITED**

INTRODUCTION

On 16 April 2007, the Vendor, a subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase (i) the Sale Shares, representing the entire issued share capital of GFT Holding; and (ii) the rights of and benefits in the Sale Loan at a total consideration of HK\$2.0.

The purpose of this circular is to provide you with further details relating to the above transaction, the advices on the Disposal from the Independent Board Committee and the Independent Financial Adviser and the notice of the SGM.

* for identification purpose only

LETTER FROM THE BOARD

THE AGREEMENT

Date: 16 April 2007

Vendor: the Vendor, a wholly-owned subsidiary of the Company

Purchaser: the Purchaser

The Purchaser is an investment holding company, which is beneficially owned as to 50% by Mr. Leung and 50% by Mr. Wong, both are executive directors and substantial shareholders of the Company.

Assets being disposed of:

1. The Sale Shares, representing the entire issued share capital of GFT Holding as at the date of the Agreement; and
2. The rights of and benefits in the Sale Loan. Based on the unaudited management account of GFT Holding as at 31 December 2006, which has been prepared in accordance with accounting principles generally accepted in Hong Kong, the Sale Loan amounted to approximately HK\$53.3 million.

GFT Holding was incorporated in the British Virgin Islands. It is an investment holding company and a major subsidiary of the Company. GFT Holding has five subsidiaries, which are principally engaged in the business of manufacturing and trading of toys. GFT Holding was acquired by the Group in September 2004 at a total consideration of HK\$5 million.

Based on the unaudited management accounts of GFT Holding, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated results and financial position of the GFT Holding for the two years ended 31 December 2006 were as follows:

	For the year ended 31 December 2006 (unaudited) (HK\$'000)	For the year ended 31 December 2005 (unaudited) (HK\$'000)
Revenue	62,816	65,629
(Loss)/Profit before taxation	(26,477)	12,145
(Loss)/Profit after taxation and minority interest	(26,455)	11,818

LETTER FROM THE BOARD

	As at 31 December 2006 (unaudited) (HK\$'000)	As at 31 December 2005 (unaudited) (HK\$'000)
Total assets	88,918	94,516
Total liabilities	98,408	78,156
Net (liabilities)/assets	(9,490)	16,360

Consideration:

The total cash consideration for the Sale Shares and the Sale Loan is HK\$2.0, of which HK\$1.0 represents the consideration of the Sale Shares and the balance of HK\$1.0 represents the consideration of the Sale Loan. In the event that the consolidated management accounts of GFT Holding record net asset value as at the month end before the date of Completion, the total consideration will be adjusted to the sum equivalent to the said net asset value. The sale proceeds of the Disposal will be used as the general working capital of the Group.

Based on the unaudited management accounts of GFT Holding, the total net book value of the Sale Shares and Sale Loan as at 31 December 2006 amounted to approximately HK\$43.8 million and thus the total consideration of HK\$2.0 represents a deficit of approximately HK\$43.8 million under the net book value of the Sale Shares and Sale Loan.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the unaudited consolidated net liabilities of the Disposal Group as at 31 December 2006, the anticipated loss of the Disposal Group for the year ended 31 December 2006 and the period from 1 January 2007 up to the Completion, future prospect of the toy manufacturing business and the recoverability of the Sale Loan.

Given that (i) the Disposal Group has net liabilities and substantial losses for the financial year ended 31 December 2006; (ii) the future business prospect of the Disposal Group is uncertain; (iii) the corporate guarantee under the existing banking facilities granted to the Disposal Group will be released after the Disposal, the Directors consider that the consideration of HK\$1 for the Sale Shares is fair and reasonable.

As at 31 December 2006, the Disposal Group had net current liabilities and net liabilities of approximately HK\$63.5 million and HK\$9.5 million respectively. The Directors considered that the Disposal Group would be facing liquidity problem if no additional funding was obtained from the Group or external sources, and thus the possibility of having full recoverability on the Sale Loan was very remote. The Group would have to recognize an impairment loss for the Sale Loan even if the Sale Loan was not disposed of. In view of the above, the Directors consider that the consideration of HK\$1 for the Sale Loan is fair and reasonable.

LETTER FROM THE BOARD

Conditions Precedent:

Completion is conditional upon fulfillment of the following conditions:

- (a) the passing by the Independent Shareholders at the SGM of an ordinary resolution approving the Agreement and the transactions contemplated thereunder;
- (b) the release by the banks of the obligations of the Company as a corporate guarantor under the existing banking facilities granted to the Disposal Group; and
- (c) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares and Sale Loan having been proposed, enacted or taken by any governmental or official authority.

The Purchaser may waive all or any of such conditions at any time by notice in writing to the Vendor. If the above conditions shall not have been fulfilled or waived prior to 30 September 2007 or such other day as the Vendor and the Purchaser shall agree, the Agreement and everything therein contained shall, subject to the liability of either party to the other in respect of any breach of the terms thereof, be null and void and of no effect.

Completion:

Completion shall take place on the second business day after the fulfillment of the above conditions (or other dates the Company and the Purchaser may agree).

REASONS FOR THE DISPOSAL

The Group is principally engaged in the manufacturing and trading of toys. Being adversely affected by the intensified price competition in the toy manufacturing industry, surge in material prices and production costs, unstable utilities supplies and labor shortage in Southern China, where the manufacturing plant of the Group is located, the profit margin of the Group's toy manufacturing business was severely eroded and losses from such business segment have been recorded since early 2006.

The Board expects that the unfavorable market conditions in the toy industry shall persist in the ensuing years. The Board also considers that the Disposal can prevent the Group from suffering further losses and cash outflow for the non-performing toy manufacturing business. In view of the declining results and the uncertain operating environment of the toy manufacturing business, the Board considers that it is appropriate and in the interests of the Group to terminate its loss-making business and to reallocate more resources of the Group on the trading of toy, gift and premium. Furthermore, as the Disposal is conditional upon the release by the banks of the obligations of the Company as a corporate guarantor under the existing banking facilities granted to the Disposal Group, the Disposal will reduce the contingent liability of the Group of approximately HK\$3.2 million. In light of the above, the Directors (including the independent non-executive directors) are of the opinion that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are fair and reasonable.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

The amount of gain or loss on disposal eventually to be recognized on the consolidated accounts of the Group depends on the net book value of the Disposal Group and the Sale Loan as at the date of Completion. Based on the unaudited net liabilities of the Disposal Group of approximately HK\$9.5 million as at 31 December 2006, it is expected that a gain on disposal of the Sale Shares of approximately HK\$9.5 million would be recognized in the consolidated accounts of the Company for the year ended 31 December 2006 should the disposal of the Sale Shares had been completed as of 31 December 2006.

On the other hand, based on the unaudited management account of the Disposal Group, the outstanding Sale Loan amounted to approximately HK\$53.3 million as at 31 December 2006. The disposal of the Sale Loan shall therefore give rise to a loss on impairment for the amount owing by the Disposal Group to the Vendor of approximately HK\$53.3 million. As a result, the Disposal is expected to result in a net loss of approximately HK\$43.8 million for the Group.

Based on the unaudited balance sheet of the Disposal Group as at 31 December 2006, after the Disposal, the consolidated total assets and total liabilities of the Group will decrease by approximately HK\$88.9 million and HK\$45.1 million respectively. As a result, there will be a decrease of approximately HK\$43.8 million in consolidated net assets of the Group.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Subsequent to the Completion, the Group will no longer hold any interest in GFT Holding and thus GFT Holding will cease to be a subsidiary of the Company. The Group will cease its toy manufacturing business and focus on the business of toy, gift and premium trading since then.

The Directors expect that the toy, gift and premium trading industry shall remain competitive in the current year although the 2008 Olympics may increase product demand and product variety. Despite the tough business environment, the Group successfully secured trading orders from several new customers during the first four months of 2007. Some of the existing customers have also increased their contract sums for the year. Although the number of foreign retailers which source toys, gifts and premium products directly in the PRC is increasing, the demand of value-added services from trading companies in Hong Kong like the Group remains strong as the language and cultural barriers have prevented the foreign buyers from properly dealing with the manufacturers in the PRC and understanding the inconsistencies between China's commercial regulations and international practices. The Directors are confident that the Group's good quality assurance and value added services will enable it to maintain competitiveness in the market.

Furthermore, the Group will devote more resources on exploring new market niches and expanding their sales network. Meanwhile, the Group will review and restructure its operations so as to further improve the operational efficiency and cost effectiveness. With a good start in 2007, the Directors foresee that the performance of the Group's trading business shall be promising in this year.

Looking ahead, the Group will also actively seek for potential investment opportunities in order to increase its income source and enhance the value of the Shareholders. As at the date of this circular, the Group had no concrete investment plan.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under the Listing Rules. As Mr. Leung and Mr. Wong, the beneficial owners and directors of the Purchaser, are also executive directors and substantial shareholders of the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders, by way of poll, at the SGM, in which Mr. Leung, Mr. Wong, Charm Management Limited (a substantial shareholder of the Company beneficially owned by Mr. Leung and Mr. Wong) and their respective associates, who controlled or were entitled to exercise control over the voting right in respect of 150,224,000 Shares as at the Latest Practicable Date, will abstain from voting on the resolution approving the Disposal.

SGM

The SGM will be held at Ming Room I, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong at 9:00 a.m. on Monday, 28 May 2007 to consider, and if thought fit, passing the ordinary resolution to approve the Agreement and the transactions contemplated thereunder.

Notice of the SGM is set out on pages 34 to 35 of this circular and the form of proxy for use at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's head office and principal place of business in Hong Kong at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Board considers that the Agreement is on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends you to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
GFT Holdings Limited
Leung Wai Ho
Chairman



GFT HOLDINGS LIMITED

真樂發控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

10 May 2007

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR REALIZATION AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN
GFT HOLDING LIMITED**

As the Independent Board Committee, we have been appointed to advise you in connection with the Agreement, details of which are set out in the Letter from the Board contained in this circular to the Shareholders dated 10 May 2007, of which this letter forms part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 11 to 18 of this circular, we are of the opinion that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favor of the resolution to be proposed at the SGM to approve the Agreement.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Chui Chi Yun, Robert

Lam Kwok Cheong

Lai Wing Leung, Peter

** for identification purpose only*

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Disposal pursuant to the Agreement, which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL

智略資本

VEDA CAPITAL LIMITED

Suite 11-12, 13/F, Nam Fung Tower
173 Des Voeux Road Central, Hong Kong

10 May 2007

*To the Independent Board Committee and
the Independent Shareholders of GFT Holdings Limited*

Dear Sirs,

MAJOR REALIZATION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN GFT HOLDING LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are set out in the letter from the Board (the “Board Letter”) contained in this circular (the “Circular”) dated 10 May 2007 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 April 2007, the Vendor, being a subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase (i) the Sale Shares, representing the entire issued share capital of GFT Holding; and (ii) the rights of and benefits in the Sale Loan at a total consideration of HK\$2.0. In the event that the consolidated management accounts of GFT Holding record net asset value as at the month end before the date of Completion, the total consideration will be adjusted to the sum equivalent to the said net asset value.

Subsequent to the Disposal, GFT Holding will cease to be a subsidiary of the Company. Pursuant to Rule 14.06 of the Listing Rules, the Disposal constitutes a major transaction for the Company and requires the approval of the Independent Shareholders at the SGM. As Mr. Leung and Mr. Wong, the beneficial owners and directors of the Purchaser, are also executive Directors and substantial

LETTER FROM VEDA CAPITAL

Shareholders, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders, by way of poll, at the SGM, in which Mr. Leung, Mr. Wong, Charm Management Limited (a substantial shareholder of the Company beneficially owned by Mr. Leung and Mr. Wong) and their respective associates, who controlled or were entitled to exercise control over the voting rights in respect of 150,224,000 Shares as at the Latest Practicable Date, will abstain from voting on the resolution approving the Disposal.

The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lai Wing Leung, Peter, which is not involved in or has no interest in the Disposal and thus being independent, has been established to advise the Independent Shareholders in respect of the Disposal pursuant to the Agreement. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Independent Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the resolution to approve the Disposal.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information including but not limited to the published information of the Group and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions contained or referred to in the Circular and all information, representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which are solely responsible, are true and accurate at the time when they were made and will continue to be accurate as at the date of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies.

LETTER FROM VEDA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Disposal and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

Background information on the Group

The Company is principally engaged in the manufacturing and trading of toys. GFT Holding was incorporated in the British Virgin Islands. It is an investment holding company and a major subsidiary of the Company. GFT Holding has five subsidiaries, which are principally engaged in the business of manufacturing and trading of toys. As at the Latest Practicable Date, the Company held the entire issued share capital of GFT Holding. Upon the Completion, the Company will cease to hold any interests in GFT Holding and thus GFT Holding will no longer be a subsidiary of the Company. The Group will cease its toy manufacturing business and focus on the business of toy, gift and premium trading since then.

According to the 2006 annual report of the Company, the Group reported a turnover from continuing operations of approximately HK\$130.1 million for the year ended 31 December 2006, representing a decrease of approximately 21.5% from the turnover from continuing operations for the year ended 31 December 2005 of approximately HK\$165.8 million. Out of the decrease of approximately HK\$35.7 million in turnover, approximately HK\$27.4 million was attributable to the toy product segment, being the consequence of the tough and keen competition in toy industry for the year ended 31 December 2006 and of the remaining HK\$8.3 million, the decrease was attributable to the inactiveness of securities trading and investment segment. In respect of the disposed consumer products segment, the turnover decreased from approximately HK\$13.3 million to approximately HK\$2.5 million for the year ended 31 December 2006.

Gross profit of the Group for the year ended 31 December 2006 dropped to only approximately HK\$0.2 million from approximately HK\$26.5 million for the year ended 31 December 2005. The substantial decrease in gross profit was mainly due to certain unfavourable factors which imposed adverse impacts on the toy business, including severe price competition, thinned margin, escalating material cost, wages and other direct production cost. The decrease was also partly due to non-contributing securities trading which recorded gross profit of approximately HK\$2.9 million for the year ended 31 December 2005.

Conservative provisions had been made for obsolete stock and doubtful debts for the year ended 31 December 2006. Fair value of the share options granted during the year ended 31 December 2006 was computed and recognized as an expense under the provisions of new accounting standards. Administrative and other expenses also increased when compared with the year ended 31 December 2005. The low level of gross profit was insufficient to cover the inflated expenses and as a consequence the Group suffered from loss attributable to equity holders of approximately HK\$36.6 million for the year ended 31 December 2006 whereas the Group recorded a net profit of approximately HK\$11.2 million for the year ended 31 December 2005.

LETTER FROM VEDA CAPITAL

Reasons for the Disposal

As disclosed in the Board Letter, the Directors are of the view that being adversely affected by the intensified price competition in the toy manufacturing industry, surge in material prices and production costs, unstable utilities supplies and labor shortage in Southern China, where the manufacturing plant of the Group is located, the profit margin of the Group's toy manufacturing business was severely eroded and losses from such business segment have been recorded since early 2006.

Based on the unaudited management accounts of GFT Holding, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated results and financial position of the GFT Holding for the two years ended 31 December 2006 were as follows:

	For the year ended 31 December 2006 (unaudited) (HK\$'000)	For the year ended 31 December 2005 (unaudited) (HK\$'000)
Revenue	62,816	65,629
(Loss)/Profit before taxation	(26,477)	12,145
(Loss)/Profit after taxation and minority interest	(26,455)	11,818
	As at 31 December 2006 (unaudited) (HK\$'000)	As at 31 December 2005 (unaudited) (HK\$'000)
Total assets	88,918	94,516
Total liabilities	98,408	78,156
Net (liabilities)/assets	(9,490)	16,360

Revenue of GFT Holding slightly dropped by approximately 4.3% to approximately HK\$62.8 million for the year ended 31 December 2006. However, the Group recorded a loss after taxation and minority interest for the year ended 31 December 2006 of approximately HK\$26.5 million, representing a significant drop of approximately HK\$38.3 million from a profit after taxation and minority interest of approximately HK\$11.8 million for the year ended 31 December 2005.

As discussed in the 2006 annual report of the Company, the management of the Group persisted to streamline the production process and exercise stringent measures on cost control. Nevertheless, various unfavourable factors relentlessly defeating manufactures in mainland China, like escalating material cost, heightened minimum wages, unstable utility supplies and Renminbi appreciation, counteract the management's effort. Furthermore, the shrinkage in sales also affected the operations in a way that production capacity was not fully utilized. The Board expects that the unfavourable market conditions in the toy industry shall persist in the ensuing years. The Board also considers that the Disposal can prevent the Group from suffering further losses and cash outflow for the non-performing toy manufacturing business.

LETTER FROM VEDA CAPITAL

In view of the declining results and the uncertain operating environment of the toy manufacturing business, the Board considers that it is appropriate and in the interests of the Group to terminate its loss-making business and to reallocate more resources of the Group on the trading business of toy, gift and premium. As stated in the Board Letter, the Directors expect that the toy, gift and premium trading industry shall remain competitive in the current year although the 2008 Olympics may increase product demand and product variety. Despite the tough business environment, the Group successfully secured trading orders from several new customers during the first four months of 2007. Some of the existing customers have also increased their contract sums for the year. Although the number of foreign retailers which source toys, gifts and premium products directly in the PRC is increasing, the demand of value-added services from trading companies in Hong Kong like the Group remains strong as the language and cultural barriers have prevented the foreign buyers from properly dealing with the manufacturers in the PRC and understanding the inconsistencies between China's commercial regulations and international practices. The Directors are confident that the Group's good quality assurance and value added services will enable it to maintain competitiveness in the market. The Group will also devote more resources on exploring new market niches and expanding their sales network. Meanwhile, the Group will review and restructure its operations so as to further improve the operational efficiency and cost effectiveness. With a good start in 2007, the Directors foresee that the performance of the Group's trading business shall be promising in this year. Furthermore, as the Disposal is conditional upon the release by the banks of obligations of the Company as a corporate guarantor under the existing banking facilities granted to the Disposal Group, the Disposal will reduce the contingent liability of the Group by approximately HK\$3.2 million.

In light of the above, it is likely that the Disposal will (i) streamline the business scope of the remaining Group and allow a more effective allocation of management resources to trading of toy, gift and premium which is expected to be more promising; (ii) enable the Group to carve out its unprofitable toy's manufacturing business and avoid further losses; and (iii) avoid continual injection of working capital to sustain the operation of the toy manufacturing business. As such, we are of the view that it is in the interests of the Group and the Independent Shareholders as a whole for the Group to dispose of GFT Holding.

Consideration for the Disposal

The total cash consideration for the Sale Shares and the Sale Loan is HK\$2.0, of which HK\$1.0 represents the consideration of the Sale Shares and the balance of HK\$1.0 represents the consideration of the Sale Loan. In the event that the consolidated management accounts of GFT Holding record net asset value as at the month end before the date of Completion, the total consideration will be adjusted to the sum equivalent to the said net asset value.

As discussed with the Directors, we understand that the consideration of HK\$1 for the Sale Share was arrived at after arm's length negotiations between the Company and the Purchaser having made reference to (i) the unaudited consolidated net liabilities of the Disposal Group of approximately HK\$9.5 million as at 31 December 2006; (ii) the loss-making situation of the Disposal Group for the year ended 31 December 2006; (iii) the anticipated loss of the Disposal Group during the period from 1 January 2007 up to 30 April 2007 (assuming the Completion will take place before 31 May 2007); (iv) uncertain prospects of the toy manufacturing business; and (v) low recoverability of the Sale Loan by the Company given the existing worsened financial position of the Disposal Group.

LETTER FROM VEDA CAPITAL

As at 31 December 2006, the Disposal Group had unaudited net current liabilities and net liabilities of approximately HK\$63.5 million and approximately HK\$9.5 million respectively. The Directors considered that the Disposal Group would be facing liquidity problem if no additional funding was obtained from the Group or external sources, and thus the possibility of having full recoverability on the Sale Loan was very remote. The Group would have to recognize an impairment loss for the Sale Loan even if the Sale Loan was not disposed of. We have also discussed with the Directors on whether or not the Directors have considered liquidation of the Disposal Group instead of effecting the Disposal. The Directors considered that the Disposal is the more effective means to divest its unprofitable business. Since the Disposal is conditional on the release by the banks of corporate guarantee given by the Company as a corporate guarantor to banks under the existing banking facilities available to the Disposal Group, upon the Completion, the Group will cease to have any obligations arising from such corporate guarantee. Should the Company choose to liquidate the Disposal Group, the Company will be obliged, as a corporate guarantor, to settle the outstanding bank borrowings under that banking facilities available to the Disposal Group. The Directors also expect that various professional fees would have to be incurred in order to execute the liquidation and it is also expected that it would take prolonged procedures and time to complete the process. Furthermore, given the fact that the Sale Loan is unsecured, the priority of payment for the Sale Loan will be secondary to other secured loans of the Disposal Group. In view of the above, the Directors consider that the consideration of HK\$1 for the Sale Loan is fair and reasonable.

According to the Agreement, the Disposal is conditional upon the release by the banks of the obligations of the Company as a corporate guarantor under the existing banking facilities available to the Disposal Group. As such, the Disposal would also reduce the total contingent liability of the Group by approximately HK\$3.2 million. Therefore, we are of the view that the consideration for the Disposal is fair and reasonable and is in the interest of the Company as a whole.

Pursuant to the Agreement, in the event that the consolidated management accounts of GFT Holding record net asset value as at the month end before the date of Completion, the total consideration will be adjusted to the sum equivalent to the said net asset value. In this case, the consideration for the Sale Shares will be approximately equivalent to the net asset value as shown on the accounts for the Completion. Given the fact that as at 31 December 2006, the Disposal Group had unaudited net liabilities of approximately HK\$9.5 million, in order to enable the accounts for the Completion to record net asset value, the Disposal Group should generate a net profit for the four-month period from 1 January 2007 to 30 April 2007 (assuming the Completion will take place before 31 May 2007). In view of the recent loss-making track record for the year ended 31 December 2006, unfavourable operating environment and the persistent loss anticipated by the Directors, it is unlikely that the Disposal Group would be able to attain a profit in the four-month period or even if it could generate profit in such period, the amount would not be material. Consequently, we are of the view that adjustment to the consideration of the Disposal as stipulated in the Agreement is fair and reasonable and are in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM VEDA CAPITAL

Financial effects of the Disposal

(i) *Net Asset*

Based on the 2006 annual report of the Company, the audited consolidated net asset value of the Group as at 31 December 2006 was approximately HK\$69.6 million. Assuming Completion taking place on 31 December 2006, the Group would record a consolidated net asset value of approximately HK\$25.8 million as a result of the Disposal. However, the amount of loss eventually to be recognized on the consolidated accounts of the Company will depend on the net book value of the Disposal Group and the Sale Loan as at the date of Completion.

(ii) *Earnings*

Based on the unaudited net liabilities of the Disposal Group of approximately HK\$9.5 million as at 31 December 2006, it is expected that a gain on disposal of the Sale Shares of approximately HK\$9.5 million would be recognized in the consolidated accounts of the Company for the year ended 31 December 2006 should the disposal of the Sale Shares had been completed as of 31 December 2006.

On the other hand, based on the unaudited management account of the Disposal Group, the outstanding Sale Loan amounted to approximately HK\$53.3 million as at 31 December 2006. The disposal of the Sale Loan shall therefore give rise to a loss on impairment for the amount owed by the Disposal Group to the Vendor of approximately HK\$53.3 million. As a result, the Disposal is expected to result in a net loss of approximately HK\$43.8 million for the Group.

The amount of gain or loss eventually to be recognized on the consolidated accounts for the Company will depend on the net book value of the Disposal Group and the Sale Loan as at the date of Completion. Although the remaining Group may recognize a loss as a result of the Disposal, the loss is of one-off nature. Moreover, in view of the loss making results and the uncertain operating environment of the toy manufacturing business, the remaining Group can avoid anticipated future losses by disposing of the Disposal Group.

(iii) *Cash Flow*

Assuming no adjustment pursuant to the Agreement has to be made to the consideration of the Disposal, the amount of gross proceeds of the Disposal for the Group is only HK\$2. Therefore, the proceeds would not have material effect on the cash flow of the remaining Group upon Completion. However, according to the unaudited management accounts of GFT Holding, a loss of approximately HK\$26.5 million after taxation and minority interest was recorded for the year ended 31 December 2006. We are also given to understand by the Directors that further working capital will have to be injected into the Disposal Group to sustain its operation should the Group continue to keep the toy manufacturing business. As such, the Disposal will allow the Group to prevent further injection of working capital and focus its financial resources on the business of toy, gift and premium trading and devote more resources on exploring new market niches and expanding the sales network.

LETTER FROM VEDA CAPITAL

Based on the unaudited management accounts of the Disposal Group, cash balance was approximately HK\$3.8 million as at 31 December 2006 whereas the cash balance of the Group as at 31 December 2006 was approximately HK\$7.1 million according to the 2006 annual report. The Directors are of the opinion that after taking into account the financial resources available to the Group including the proceeds from the Disposal, proceeds from placing of new shares and convertible notes (details of which were stated in the circular of the Company dated 14 February 2007) and internally generated funds, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular, in the absence of unforeseen circumstances, and the Disposal will not have a material impact on the cash flow of the Group.

Taking into account the above financial effects, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole and that the terms of the Disposal are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons set out above, in particular, the following:

- (i) the loss-making position of the Disposal Group for the year ended 31 December 2006;
- (ii) the unpromising prospect, anticipated future losses of the Disposal Group and further working capital requirement under the current unfavourable operating environment;
- (iii) the net liabilities position of the Disposal Group of about HK\$9.5 million as at 31 December 2006;
- (iv) the low recoverability of the Sale Loan;
- (v) the release by the banks of obligations of the Company as a corporate guarantor under the existing banking facilities available to the Disposal Group as a condition of the Disposal; and
- (vi) the Disposal will allow the Group to focus its financial and management resources on the business of toy, gift and premium trading exploring new market niches and expanding the sales network,

we consider that, on balance, the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Agreement were entered into upon normal commercial terms. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Managing Director

Julisa Fong
Director

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular and received from Sallmanns, an independent professional property valuer, in connection with their valuation as at 31 March 2007 of the properties held by the Disposal Group.



Sallmanns

Corporate valuation and consultancy

www.sallmanns.com



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Wanchai, Hong Kong
Tel: (852) 2169 6000
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10 May 2007

The Board of Directors
GFT Holdings Limited
Unit A9, 3/F, Block A
Hong Kong Industrial Center
489-491 Castle Peak Road
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property in which GFT Holding Limited (“GFT Holding”) and its subsidiaries (hereinafter together referred to as the “Disposal Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 March 2007 (the “date of valuation”).

Our valuation of the property interests represent the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Disposal Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and official plans relating to the property interests located in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Disposal Group's PRC legal advisers — Guangdong Tianhao Law Firm, concerning the validity of the Disposal Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Disposal Group. We have also sought confirmation from the Disposal Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 24 years' experience in the valuation of properties in the PRC and 27 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

VALUATION CERTIFICATE

PROPERTY INTERESTS HELD AND OCCUPIED BY THE DISPOSAL GROUP

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2007 RMB
A land parcel, various buildings and structures located at Hengxitou Village Futian Town Boluo County Huizhou City Guangdong Province The PRC	<p>The property comprises 5 parcels of land with a total site area of approximately 57,097.00 sq.m. and 8 buildings and various structures constructed thereon completed in various stage between 2004 and 2006.</p> <p>The buildings have a total gross floor area of approximately 49,769.69 sq.m.</p> <p>The buildings include two staff quarters buildings and six workshop and warehouse buildings.</p> <p>The land use rights of the property were granted for terms with the latest expiry date of 30 December 2054 for industrial use.</p>	The property is currently occupied by Great Force Electronics (Huizhou) Limited for production purpose.	42,410,000

Notes:

- Pursuant to 5 State-owned Land Use Rights Certificates — Bo Fu Guo Yong (2004) No. 160035, Bo Fu Guo Yong (2005) Nos.160001, 160003, 160004 and 160011, the land use rights of 5 parcels of land with a total site area of approximately 57,097 sq.m. were granted to 宏科電子(惠州)有限公司 (Great Force Electronics (Huizhou) Limited, “Great Force Electronics”) for industrial uses for terms with the latest expiry date of 30 December 2054.
- Pursuant to 7 Real Estate Title Certificates — Yue Fang Di Zheng Zi Nos. C2706945 to C2706947, C4358141 and C2709451 to C2709453, 7 buildings with a total gross floor area of approximately 41,096.15 sq.m. are owned by Great Force Electronics.
- Great Force Electronics (Huizhou) Limited is a wholly-owned subsidiary of GFT Holding.
- Pursuant to a Construction Work Commencement Permit — No. 442526200508250101 issued by 博羅縣建設工程管理局 (Construction Works Administrative Office of Boluo County) in favour of Great Force Electronics, permission by the relevant local authority was given to commence the construction of a building with a gross floor area of approximately 9,673.54 sq.m.
- According to a construction work completion inspection report with inspection date of 4 January 2007, the gross floor area of a newly completed workshop building (the “new workshop building”) is 8,673.54 sq.m.

6. Pursuant to 2 mortgage contracts — Huizhou Fen Hang Boluo Zhi Hang (2006) Di Zi No.003 and Huizhou Fen Hang Boluo Zhi Hang (2007) Di Zi No. 303, portions of the property are subject to 2 mortgages for maximum loan amounts of RMB15,000,000 and RMB3,000,000 respectively.
7. At the time of inspection, it appeared that certain alteration and addition building works have been done to the new workshop building. We are unable to comment on the legality and title of these apparent alteration and addition building works, and have disregarded these alteration and addition building works in our valuation.
8. In the course of our valuation, we have not attributed any commercial value to the new workshop building as the relevant ownership title certificates of the building have not been obtained. However, for reference purposes, we are of the opinion that the capital value of the building (excluding the land) as at the date of valuation would be RMB6,870,000 assuming all relevant title ownership certificates have been obtained and the building could be freely transferred.
9. We have been provided with a legal opinion regarding the property interests by the Disposal Group's PRC legal advisors — Guangdong Tianhao Law Firm, which contains, inter alia, the following:
 - (i) Great Force Electronics legally obtained the land use rights of the land parcels mentioned in note 1, and has the rights to transfer, exchange, mortgage the land use rights;
 - (ii) Great Force Electronics legally obtains the title certificates of the buildings mentioned in note 2, and has the rights to occupy, use, receive income from, and dispose of the buildings; and
 - (iii) Portions of the property are subject to mortgages in favour of Industrial and Commercial Bank of China Limited Boluo Branch for various terms.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

FINANCIAL INFORMATION ON THE GROUP**1. Indebtedness**

As at the close of business on 31 March 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the borrowings and contingent liabilities of the Group, apart from intra-group liabilities, are as follows:

Borrowings

As at 31 March 2007, the Group's outstanding borrowings amounted to approximately HK\$21.2 million, represented by secured bank borrowings of HK\$18 million and obligations under finance leases of HK\$3.2 million. The banking facilities were secured by certain of the Group's property, plant and equipment and land use right with carrying values of approximately HK\$42.3 million and HK\$3.4 million respectively.

Contingent liabilities

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), a former director of the Company, commenced legal proceedings ("the Action") against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK\$44.5 million and accrued interest thereof.

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim ("the Amendment Application") and joinder of party to the Action ("the Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007 and the parties are now working on the proper directions to be sought for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the Solicitors and Counsel acting for the Company still hold good for their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

Capital commitments

The Group had no capital commitments as at 31 March 2007.

Operating lease commitments

As at 31 March 2007, the Group had commitments for future minimum lease payment of approximately HK\$0.4 million under non-cancellable operating leases in respect of rented office premises, of which approximately HK\$0.3 million will fall due within one year and approximately HK\$0.1 million will fall due after one year but within five years.

As at 31 March 2007, the Group had commitments for future minimum sublease payments expected to be received under non-cancellable subleases amounted to HK\$0.01 million.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2007, the Group did not have any loan capital (issued and outstanding, or agreed to be issued), bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 March 2007.

2. Working capital

The Directors are of the opinion that after taking into account the financial resources available to the Group including the proceeds from the Disposal and internally generated funds, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

3. Material adverse change

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited consolidated accounts of the Group were made up.

DIRECTORS' INTERESTS

1. Interests in the Shares, underlying shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Directors	Number of Shares held in the capacity of			Percentage of the issued share capital of the Company
	Beneficial owner	Controlled corporation	Total	
Leung Wai Ho	9,000,000	132,224,000 <i>Note 1</i>	141,224,000	12.59%
Wong Chung Shun	9,000,000	132,224,000 <i>Note 2</i>	141,224,000	12.59%

Notes:

- These Shares were held by Charm Management Limited, a wholly-owned subsidiary of New Spread Investments Limited. Each of Excel Advance Holdings Limited, Good Achieve Holdings Limited and Grand Achieve Group Limited is interested in one-third of the issued share capital of New Spread Investments Limited. As Mr. Leung Wai Ho owns the entire interest in Excel Advance Holdings Limited and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in the Shares held by Charm Management Limited.
- As Mr. Wong Chung Shun owns the entire equity interest in Good Achieve Holdings Limited and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in the Shares held by Charm Management Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

2. Interests in assets

Save as the interests of Mr. Leung Wai Ho and Mr. Wong Chung Shun in the Disposal, as at the Latest Practicable Date, none of the Directors had any interests, direct or indirect, in any asset which has been, since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

3. Interests in contracts

Save for the Agreement, no contracts or arrangements subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

4. Interests in competing business

As at the Latest Practicable Date, interests of the Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules were set out as follows:

Name of Director	Name of entity with competing business	Nature of competing business	Nature of interest
Leung Wai Ho	General Fast Trading Limited	Trading of toys and electronic products	Director and shareholder
	United Force Overseas Company Limited	Manufacturing of toys and electronic products	Director and shareholder
Wong Chung Shun	General Fast Trading Limited	Trading of toys and electronic products	Director and shareholder
	United Force Overseas Company Limited	Manufacturing of toys and electronic products	Director and shareholder

Save as disclosed above, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

1. Interests Disclosable under the SFO

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and the amount of each of such person's interest in such securities were as follows:

Name of Substantial Shareholders	Capacity	Number of Shares held	Percentage of issued share capital
Charm Management Limited ^{Note 1}	Beneficial owner	132,224,000	11.79%
New Spread Investments Limited ^{Note 2}	Controlled corporation	132,224,000	11.79%
Excel Advance Holdings Limited ^{Note 2}	Controlled corporation	132,224,000	11.79%
Good Achieve Holdings Limited ^{Note 2}	Controlled corporation	132,224,000	11.79%
Grand Achieve Group Limited ^{Note 2}	Controlled corporation	132,224,000	11.79%
Tokyo Unique (Hongkong) Limited	Beneficial owner	77,920,000	6.95%
Tokyo Unique Co., Ltd. ^{Note 3}	Controlled corporation	77,920,000	6.95%
Takeaki Maeda ^{Note 3}	Controlled corporation	77,920,000	6.95%
Galaxy China Opportunities Fund	Beneficial owner	55,995,200	4.99%
Deutsche Bank Aktiengesellschaft	Security interest	57,995,200	5.17%

Notes:

1. Mr. Leung Wai Ho and Mr. Wong Chung Shun, directors of the Company, are also directors of Charm Management Limited.
2. Each of Excel Advance Holdings Limited, Good Achieve Holdings Limited and Grand Achieve Group Limited is interested in one-third of the issued share capital of New Spread Investments Limited, which in turn owns the entire equity interest in Charm Management Limited. Therefore, each of Excel Advance Holdings Limited, Good Achieve Holdings Limited, Grand Achieve Group Limited and New Spread Investments Limited is deemed to be interested in the Shares held by Charm Management Limited.
3. Tokyo Unique (Hongkong) Limited is owned as to 67% by Tokyo Unique Co., Ltd., which in turn is controlled by Mr. Takeaki Maeda. Therefore, both Tokyo Unique Co., Ltd. and Mr. Takeaki Maeda are deemed to be interested in the Shares held by Tokyo Unique (Hongkong) Limited.

2. Substantial Shareholders of other members of the Group

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors or chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital were as follows:

Name of shareholder	Name of member of the Group	Percentage of shareholding
Yu Kwai Sang	New Challenge Limited	15%
Ng Kai Lok Paul	Yanyan Force Limited	40%

Except as being the shareholders and directors of the members of the Group, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the above-named persons are third parties independent of the Company and its connected persons.

Save as disclosed above, so far as is known to any Director or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which are not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

MATERIAL LITIGATION

On 8 October 2004, Mr. Kwok Chin Wing (“Mr. Kwok”), a former director of the Company, commenced legal proceedings (“the Action”) against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK\$44.5 million and accrued interest thereof.

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained counsel’s advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Mr. Kwok took out applications in the Action in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (“the Amendment Application”) and joinder of party to the Action (“the Joinder Application”). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007 and the parties are now working on the proper directions to be sought for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the solicitors and counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of solicitors and counsel acting for the Company, the Directors formed the opinion that Mr. Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigations or claims of material importance was pending or threatened against any member of the Group.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Veda Capital	a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities
Sallmanns	an independent professional property valuer

Each of Veda Capital and Sallmanns has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respectively appear.

Neither Veda Capital nor Sallmanns have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Neither Veda Capital nor Sallmanns have any interest, direct or indirect, in any asset which has been, since 31 December 2006, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

POLL PROCEDURE

Pursuant to Bye-law 70 of the Bye-laws, a resolution put to the vote at the general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and which are or may be material:

- (a) the sold note dated 19 November 2005 entered into by the Vendor to dispose of its entire interest in a 50.01% owned subsidiary, Unique Force Limited, to an independent third party at a consideration of approximately HK\$2.0 million;

- (b) the sale and purchase agreement dated 28 December 2005 entered into between the Vendor and Mr. Ko Chi Shing, a third party independent of the Company and its connected persons, whereby the Vendor agreed to dispose of 70% equity interest in Maple Force Limited and assign the rights and benefits of the outstanding amounts owed by Maple Force Limited and its subsidiary to the Vendor to Mr. Ko Chi Shing at a total consideration of approximately HK\$2.7 million;
- (c) the sale and purchase agreement dated 22 June 2006 entered into by the Vendor to dispose of its entire interest in a 51% owned subsidiary, Thunder Force Limited and to assign the amounts due by Thunder Force Limited to the Vendor and Prosper Services Limited, a fellow subsidiary of the Vendor, on 22 June 2006 to an independent third party at a consideration of HK\$53;
- (d) the sale and purchase agreement dated 22 June 2006 entered into by the Vendor to dispose of its entire interest in a 51% owned subsidiary, Thunder Tech Electronic Co., Limited to an independent third party at a consideration of HK\$49,947;
- (e) the placing agreement dated 11 October 2006 entered into between the Company and Charm Management Limited, a substantial shareholder of the Company, and Hani Securities (HK) Limited (the “Placing Agent”), pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 300,000,000 shares of the Company of HK\$0.01 each (equivalent to 120,000,000 Shares after share consolidation) at a price of HK\$0.04 per share to not less than six places and Charm Management Limited agreed to subscribe for such number of new shares equivalent to the number of shares placed by the Placing Agent at the same price of HK\$0.04 per share;
- (f) the sale and purchase agreement dated 23 November 2006 entered into between the Company and Sky Hawk International Limited, a third party independent of the Company and its connected persons, whereby the Company agreed to dispose of the entire equity interest in Good Prosper Trading Limited and assign the rights and benefits of the outstanding amounts owed by Good Prosper Trading Limited to the Group to Sky Hawk International Limited at a total consideration of HK\$20 million;
- (g) the non-legally binding letter of intent dated 3 January 2007 entered into between the Company and Talus Holdings Limited in relation to a possible investment by the Company of not less than 50% equity interest in a company to be incorporated by Talus Holdings Limited, which will be principally engaged in coal mining, coal chemical processing, magnetic-levitated wind power generation and related business in 內蒙古巴彥淖爾市烏拉特中旗 (Urad Middle Banner, Baynnur, Inner Mongolia*);
- (h) the placing agreement dated 24 January 2007 (as amended by the supplemental agreement dated 9 February 2007) entered into between the Company and the Placing Agent pursuant to which the Placing Agent agreed to place up to 340,000,000 Shares (of which 150,000,000 Shares on a fully underwritten basis and up to 190,000,000 Shares on a best effort basis) at a price of HK\$0.10 per Share;

* for identification purpose only

- (i) the placing agreement dated 24 January 2007 (as amended by the supplemental agreement dated 9 February 2007) entered into between the Company and the Placing Agent pursuant to which the Placing Agent agreed to procure subscribers to subscribe for the convertible notes to be issued by the Company with an aggregate principal amount of up to HK\$34,000,000, which carrying right to convert the outstanding principal amount into Shares at a conversion price of HK\$0.10 per Share; and
- (j) the Agreement.

MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company is Ms. Lau Siu Mui, who is a member of the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (c) The principal place of business of the Company is situated at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong.
- (d) The English text of this circular and the accompany form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong from the date of this circular up to and including 28 May 2007:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) any contract referred to in this circular;
- (c) the valuation report from Sallmanns, the text of which is set out on pages 19 to 23 of this circular;
- (d) the letter from Veda Capital, the text of which is set out on pages 11 to 18 of this circular;
- (e) the letters of consents from Veda Capital and Sallmanns referred to in the section headed "QUALIFICATIONS AND CONSENTS OF EXPERTS" in this Appendix;
- (f) the annual reports of the Company for the two years ended 31 December 2006; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



GFT HOLDINGS LIMITED

真樂發控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

NOTICE IS HEREBY GIVEN that a special general meeting of GFT Holdings Limited (the “Company”) will be held at Ming Room I, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong at 9:00 a.m. on Monday, 28 May 2007 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the sale and purchase agreement dated 16 April 2007 (the “Agreement”), a copy of which has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for the purpose of identification, entered into between Prosper Overseas Limited (the “Vendor”), a wholly-owned subsidiary of the Company, and Innovative Sonic International Limited (the “Purchaser”), in relation to the disposal by the Vendor to the Purchaser of the entire equity interest in GFT Holding Limited and the assignment of rights and benefits in the loans or advances outstanding and owing from Great Force Technology Limited, a subsidiary of GFT Holding Limited, to the Vendor for a total consideration of HK\$2.0, and the transactions contemplated thereunder be and is hereby ratified, confirmed and approved; and
- (b) any one director of the Company be and is hereby authorized to do all such acts and execute all such other documents, instruments and agreements which deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement as he may consider necessary, desirable or expedient.”

By order of the Board
GFT Holdings Limited
Leung Wai Ho
Chairman

Hong Kong, 10 May 2007

Principal Place of Business in Hong Kong:

Unit A9, 3/F., Block A

Hong Kong Industrial Center

489-491 Castle Peak Road

Kowloon, Hong Kong

** for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's head office and principal place of business in Hong Kong at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting should he so wish.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.